

DAURALA ORGANICS LIMITED

ANNUAL REPORT 2003-04



TOWARDS
ORGANIC
GROWTH



**DAURALA
ORGANICS**

DAURALA ORGANICS LIMITED**Board of Directors**

Shri Tilak Dhar	Managing Director
Shri Anil Gujral	Whole Time Director
Dr. Ramesh C. Vaish	Director
Dr. Gurpreet Singh	Director
Shri Ravi Bahadur	Director
Shri P. Murari	Director
Shri S.N. Agarwal	Director

Company Secretary-cum-DGM (Fin. & A/cs)

Shri K.K. Srivastava

Bankers

State Bank of India
Oriental Bank of Commerce

Auditors

S.S. Kothari Mehta & Co.
New Delhi

Registered Office

405-406, 4th Floor,
Akashdeep Building,
26-A, Barakhamba Road,
New Delhi - 110 001

Works

P.O. Daurala
Distt. Meerut (U.P.) 250 221

Share Transfer Agent

MCS Limited
Shri Venkatesh Bhawan,
W-40, Okhla Industrial Area, Phase-II
New Delhi-110 020
Tel. No. : (011) 26384909
Fax No. : (011) 26384907



Dr. Banshi Dharji (1930-2004)

A TRIBUTE

Dr. Banshi Dharji as Chairman and Sr. Managing Director of the DCM Group was truly an icon of great vision and leadership. A pillar of strength for all organizations that he was associated with, his presence and guidance will indeed be greatly missed by all. As Chairman of Daurala Organics Ltd., he steered the Company through its turbulent years, and was a great source of strength throughout.

A true visionary, a Karmayogi and above all a noble human being, the ideals and standards set by him during his working life of more than 50 years will be the guiding lights for generations to come.

He displayed an unstinting devotion in discharging his responsibilities as head of various industry, educational, philanthropic and sports Organizations such as FICCI, PHDCCI, ISMA, ICMA etc.

Dr. Banshi Dharji's vision of establishing a Company that "looks beyond tomorrow" will be pursued with all earnestness by the Board and all its employees, in tribute to the great man who was an institution in his own right.

DAURALA ORGANICS LIMITED

Regd. Office: 405-406, 4th Floor, Akashdeep Building, 26-A, Barakhamba Road, New Delhi – 110 001

NOTICE

The 14th Annual General Meeting of the Company will be held on Wednesday, the 29th September 2004 at 10:00 a.m. at FICCI Auditorium, Federation House, Tansen Marg, New Delhi-110 001 to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Accounts of the Company for the financial year ended 31.03.2004, the Balance Sheet as at that date and the Report of Directors and the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint Auditors and to fix their remuneration. The retiring Auditors, M/s. S. S. Kothari Mehta & Co., Chartered Accountants are eligible for re-appointment.
4. To appoint a Director in place of Sh. Ravi Bahadur who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint a Director in place of Dr. Ramesh C. Vaish who retires by rotation and being eligible offers himself for re-appointment.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass the following resolution, with or without modifications, as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to Section 198, 269 and 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and any amendments/ re-enactments there of and subject to approvals, if any required, or as may be necessary, the Company hereby accords its

consent to the re-appointment of Shri Anil Gujral as the Whole-Time Director of the Company for a period of 5 years w.e.f. 01.04.2004 on the terms and conditions and remuneration, as set out in the Explanatory Statement to this resolution.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby, authorised to alter/ increase, vary or modify from time to time, the said terms including remuneration in such manner as it may deem fit within the limitations in that regard contained in Schedule XIII or other Sections of the said Act and any statutory modifications thereof.”

By order of the Board

For **DAURALA ORGANICS LIMITED**

(K.K. SRIVASTAVA)
Company Secretary-cum-
DGM (Fin. & A/cs)

Place : New Delhi
Date : 31.07.2004

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXY FORM IS ATTACHED HERewith.

NOTICE (Continued)

2. The dividend, subject to the approvals of Financial Institutions and the Shareholders, will be paid on or after 29.09.2004 to the members so entitled, whose names appear in the Register of Members of the Company on 20.09.2004.
3. The Register of Members and the Share Transfer Books of the Company shall remain closed from 20th September 2004 to 29th September 2004 (both days inclusive).
4. Shareholders are requested to address all communications regarding transfer/transmission/dematerialisation of shares/change of address etc. to "M/s MCS Ltd., Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi-110 020."
5. The shares of the Company are now compulsorily traded in Demat form for all investors. Shareholders are therefore advised to dematerialise their shareholding through any depository participant.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to address their queries in writing to the Company Secretary at the Registered office address at least ten days before the date of the meeting, so that the information required may be made available at the meeting.
7. Electronic Clearing Services (ECS) : With respect to payment of dividend, Shareholders who wish to avail ECS facility, if available in their city, may authorize the Company with their ECS Mandate in the prescribed form, enclosed with the Annual Report. Request for payment of dividend through ECS for the year 2003-04 should be lodged on or before 29th September 2004 to "M/s MCS Ltd., Sri Venkatesh Bhawan, W-40, Okhla Industrial Area, Phase-II, New Delhi-110 020."
8. Explanatory Statement, as required under Section 173 (2) of Companies Act, 1956 is attached.

ADDITIONAL INFORMATION PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT WITH STOCK EXCHANGES IN RESPECT OF DIRECTORS SEEKING RE-ELECTION:

Item No. 4

Sh. Ravi Bahadur - Non Executive-Independent Director.

Sh. Ravi Bahadur is an eminent Chartered Accountant having more than 40 years of experience at senior level in various fields of Finance and Management function. He retired as Director-Finance from DCM Shriram Industries Ltd. and presently holds Directorships in the following other Companies:

1. DCM Shriram Fertilizers Ltd.
2. Dyer's Stone Lime Co. Pvt. Ltd.
3. Dyer's Lime & Chemical Pvt. Ltd.
4. Hindustan Vacuum Glass Pvt. Ltd.

Item No. 5

Dr. Ramesh C. Vaish - Non Executive-Independent Director.

Dr. Ramesh C. Vaish is an eminent Chartered Accountant and is highly regarded in the fields of Taxation and Management Consultancy profession. He retired as Chairman of Investment Advisory Services of Cooper and Lybrand in India and presently holds Directorships in the following other Companies:

NOTICE (Continued)

1. Ansal Properties & Industries Ltd.
2. Express News Papers Ltd.
3. Jaiprakash Hydro Power Ltd.
4. Jaiprakash Industries Ltd.
5. Jaypee Karcham Hydro Corporation Ltd.
6. Omax Autos Ltd.
7. Mayar India Ltd.
8. Goetze (India) Ltd.
9. Modi Corp Ltd.
10. GI Wind Farms Ltd.
11. Bharat Consultants Pvt. Ltd.
12. Saraswati Consultants Pvt. Ltd.

TENURE : April 1, 2004 to March 31, 2009.

SALARY : Rs. 55,000/- P.M. in the grade of Rs. 55,000-5000-Rs.70,000/-

REWARD : Upto 50% of annual salary, as may be decided by the Board, based on performance.

PERQUISITES :

He shall be entitled to the following perquisites in addition to the above remuneration.

PART 'A'**1. HOUSING**

a) The expenditure incurred by the Company on hiring accommodation shall be subject to a ceiling of 60% of the salary.

b) In case no accommodation is provided, he shall be entitled to house rent allowance, subject to the ceiling laid down above.

c) The expenditure incurred by the Company on gas, electricity, water and furnishings shall be valued as per the Income Tax Rules, 1962. This will however, be subject to a ceiling of 10% of the salary.

2. MEDICAL REIMBURSEMENT- Expenses incurred for self and family subject to a ceiling of one month's salary per year or five months' salary in a period of 5 years.

3. LEAVE TRAVEL CONCESSION- For self and family once in a year as per rules of the Company.

4. CLUB FEES - Fees of clubs, subject to a maximum of two clubs, admission and life membership fee not being allowed.

5. PERSONAL ACCIDENT INSURANCE - Premium not to exceed Rs. 4000/- per annum + Tax, if any.

ANNEXURE TO NOTICE

[Explanatory Statement Under Section 173 (2) of Companies Act, 1956]

Item No. 6

Sh. Anil Gujral has been associated with the Company since its inception and has been instrumental in the growth and profitable operations of the Company. His term of office came to an end on 31st March 2004. The Company is in a difficult and highly competitive market and requires the experience and knowledge of Sh. Anil Gujral to steer its operations and assist in further consolidation, diversification and development of new products. On the recommendation of the Remuneration Committee, the Board of Directors at its meeting held on 26.09.2003 have re-appointed him for a further period of 5 years on the terms and conditions as set out hereunder, subject to the approval of shareholders and of any other approvals as may be required. These are within the limits laid down under Schedule XIII of the Companies Act, 1956.

NOTICE (Continued)**PART 'B'**

1. COMPANY'S CONTRIBUTION TOWARDS PROVIDENT FUND/ SUPER-ANNUATION FUND : As per rules of the Company.
2. GRATUITY – As per rules of the Company.
3. EARNED/PRIVILEGE LEAVE - As per rules of the Company. Leave accumulated but not availed of during his tenure may be allowed to be encashed as per rules of the Company.

PART 'C'

1. CAR – provision of a chauffeur driven car.
2. TELEPHONE – Free telephone facility at residence, personal long distance calls to be paid for by him.
3. ENTERTAINMENT EXPENSES – Reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.

These will not be considered as perquisites for the purpose of ceiling under section 198/ 309 of the Companies Act, 1956.

4. The appointment may be terminated by either party giving to the other six calendar month's notice in writing or lesser notice as may be agreed to.

In the event of termination of the appointment by the Company he shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

Except Shri Anil Gujral, no other Director is concerned or interested in the re-appointment.

OTHER TERMS AND CONDITIONS

1. He shall not be paid any 'sitting fees' for attending the meetings of the Board or Committee/s thereof.
2. In the event of absence or inadequacy of profits in any financial year, WTD will be paid the above remuneration subject to the overall ceilings laid down in Section II Para 1(A) of part II of Schedule XIII of the Companies Act, 1956.
3. He shall not become interested or otherwise concerned personally or through his wife, sons or unmarried daughters in any selling agency of the Company, without the prior approval of the Company Law Board.

DIRECTORS' REPORT



At the outset, the Board of Directors wishes to record its deep sense of grief on the sad demise of its Chairman Dr. Banshi Dhar on June 26, 2004. Dr. Banshi Dhar was a pillar of strength to the Company who owes its successful journey through its difficult and turbulent initial years to his unstinting leadership and guidance. His contributions were several and covered industry, trade, education and philanthropic activities. He was a visionary and karmayogi. The Board and employees at all levels will strive to achieve Dr. Banshi Dhar's vision of making your Company a vibrant and forward-looking Corporate entity.

Your Directors have pleasure in presenting the Annual Report and the audited accounts of the Company for the year ended 31st March, 2004.

FINANCIAL RESULTS

During the year, the Company registered all round improvement in its operations and turnover. Profitability however remained at the last year's level because of an increasingly competitive market, declining prices and tighter margins.

The total income during the year increased by 9% to Rs. 98.3 Crores from Rs. 90.0 Crores in the previous year. The gross profit (PBDT) was Rs. 11.3 Crores, against Rs. 11.4 Crores in the previous year, and profit before tax (PBT) was Rs. 6.7 Crores, against Rs. 6.8 Crores in the previous year.

DIVIDEND

Your Directors are pleased to recommend, subject to the approval of the members in the Annual General Meeting and subject to such other approvals, if any required, a maiden equity dividend of 7.5% for the year under review, which will absorb Rs. 1.86 Crs. (including corporate dividend tax) and shall be paid out of the surplus in the Profit and Loss A/C of Rs. 3.99 Crs.

OPERATIONS AND FUTURE OUTLOOK

The Company was successful in maintaining profits at previous year's level despite severe

pressure on selling prices and margins, as international competition intensified, compounded by the strengthening Rupee and lowering import duties. The adverse factors were countered by increased sales volumes and all-round cost reduction. Exports were maintained at previous year's level despite declining prices.

The Industry today stands at an interesting cross-road. On the one hand margins are under pressure due to escalating costs of raw materials and aggressive Chinese pricing for end products. On the other, new opportunities may arise if companies in Europe reach out for strategic alliances to source cheaper inputs from India to offset their own increasing costs. Your Company is doing its best to encourage such alliances.

RESEARCH & DEVELOPMENT

In-house R&D and synergetic diversification has been the mainstay of the Company's operations and have helped in continuously upgrading quality, improving efficiencies and introducing new products.

OTHER INFORMATION

Information pertaining to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure-I.

During the year, no employee received remuneration in excess of the limits laid down under Section 217(2A) of the Companies Act, 1956.

A report on Corporate Governance in compliance with Clause 49 of the Listing Agreement with the Stock Exchanges is given in Annexure-II. A certificate from the Statutory Auditors confirming compliance is given in Annexure-III.

DELISTING OF SHARES

Pursuant to the revised SEBI Guidelines on voluntary delisting and the approval obtained from the shareholders in the last AGM, the

DIRECTORS' REPORT (Continued)

equity shares of the Company during the year were delisted from Delhi, Uttar Pradesh, Madras, Ahmedabad and Jaipur Stock Exchanges. Formal approval of delisting from the Calcutta Stock Exchange is awaited. The Shases will continue to be listed on BSE.

DIRECTORS

In June 2004, IFCI withdrew the nomination of Sh. Naveen Atrishi from the Board. The Board places on record its appreciation of the services rendered by Sh. Naveen Atrishi during his tenure as a Director of the Company.

Shri Ravi Bahadur and Dr. Ramesh C. Vaish, Directors of the Company will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for reappointment.

RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act, 1956 your Directors confirm that in the preparation of the annual accounts:

- i) the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) such accounting policies have been selected and applied consistently and reasonable and prudent judgments and estimates made, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGMENT

Your Directors wish to record their sincere gratitude for the co-operation and assistance received from Financial Institutions, Banks, Government Agencies, Dealers, Suppliers, Customers, Technical Collaborators and above all, its shareholders.

The Directors also express their appreciation for the support given and contribution made by the employees at all levels.

ON BEHALF OF THE BOARD

(WHOLE TIME DIRECTOR)

(MANAGING DIRECTOR)

Place : New Delhi
Date : 31.07.2004